

Department of Revenue
West Virginia Lottery

Mission

The mission of the West Virginia Lottery is to generate revenues to fund the programs benefiting education, senior citizens, tourism, and such other programs as the Legislature may determine. This will be performed with the utmost integrity to ensure public confidence.

Operations

Finance and Administration Section

- Prepare the monthly financial statements of operations.
- Provide accounting services for all types of lottery games (instant, on-line, and video), including collections and distributions of revenue and processing of accounts payable.
- Provide for validation of lottery prizes.
- Provide purchasing and warehousing services for all divisions.
- Provide internal data processing services.

Marketing Section: Traditional On-line and Instant Games

- Design and develop games and game prize structures.
- Promote the games through various activities such as retail-based events and appearances at fairs and festivals.
- Advertise the games and promotions through newspapers, radio, television, and the Internet.
- Promote relations with the retailer network by key accounts supervision and retailer promotions.
- Work with lottery vendors' sales staff to provide for game promotion and retailer and player education.
- Provide public relations services that deal with players, retailers, and the public in general.
- Conduct nightly drawings for proprietary on-line games and ad hoc promotional drawings.
- Conduct continuing research pertinent to the games and public perceptions.
- Provide revenue for the compulsive gambling treatment fund, and monitor program functions and results.
- Provide support for video lottery operations as requested.

Security and Licensing Section

- Responsible for the licensing of all lottery retailers, operators, and service technicians.
- Responsible for the licensing of racetracks operating video games and the manufacturers of video game machines.
- Investigate ticket inquiries from players and retailers.
- Conduct criminal and financial background checks of prospective employees, retailers, and vendors supplying game-related services.
- Conduct retailer and track compliance checks to confirm adherence to lottery law and regulations.
- Provide security oversight for nightly on-line drawings.
- Responsible for directing and monitoring building security.

Video Lottery Section

- Responsible for the operation of the central computer system controlling all video lottery terminals located at racetracks and limited retail locations.
- Responsible for the analysis and auditing of video data from central computer system and video lottery terminals.
- Responsible for testing of both hardware and software for video lottery games.
- Responsible for video lottery data processing at hot backup site located outside of Charleston.
- Perform internal control processing of vendor data for traditional lottery games.

West Virginia Lottery

Expenditures

	TOTAL FTE POSITIONS 11/30/2004	ACTUALS FY 2004	BUDGETED FY 2005	REQUESTED FY 2006	GOVERNOR'S RECOMMENDATION
EXPENDITURE BY PROGRAM					
Finance and Administration	49.00	\$17,763,426	\$31,185,019	\$31,571,269	
Security and Licensing	28.00	1,815,965	2,631,041	3,017,291	
Marketing	9.00	8,866,710	10,552,392	10,938,642	
Video Operations	24.00	1,578,872	2,253,514	2,639,764	
Excess Lottery Transfer	0.00	67,873,291	75,000,000	70,000,000	
Excess Lottery Transfer-Surplus	0.00	61,800,000	22,800,000	12,900,000	
Less: Reappropriated		0	0	0	
TOTAL BY PROGRAM	110.00	159,698,264	144,421,966	131,066,966	131,066,966
EXPENDITURE BY FUND					
General Fund					
FTE Positions		0.00	0.00	0.00	0.00
Total Personal Services		0	0	0	0
Employee Benefits		0	0	0	0
Other Expenses		0	0	0	0
Less: Reappropriated		0	0	0	0
Subtotal: General Fund		0	0	0	0
Federal Fund					
FTE Positions		0.00	0.00	0.00	0.00
Total Personal Services		0	0	0	0
Employee Benefits		0	0	0	0
Other Expenses		0	0	0	0
Subtotal: Federal Fund		0	0	0	0
Appropriated Special Fund					
FTE Positions		0.00	0.00	0.00	0.00
Total Personal Services		0	0	0	0
Employee Benefits		0	0	0	0
Other Expenses		129,673,291	97,800,000	82,900,000	82,900,000
Less: Reappropriated		0	0	0	0
Subtotal: Appropriated Special Fund *		129,673,291	97,800,000	82,900,000	82,900,000
Nonappropriated Special Fund					
FTE Positions		105.00	110.00	110.00	110.00
Total Personal Services		3,763,140	4,466,274	4,466,274	4,466,274
Employee Benefits		1,215,823	1,466,297	1,466,297	1,466,297
Other Expenses		25,046,010	40,689,395	42,234,395	42,234,395
Subtotal: Nonappropriated Special Fund		30,024,973	46,621,966	48,166,966	48,166,966
TOTAL FTE POSITIONS BY FUND	105.00	110.00	110.00	110.00	110.00
TOTAL EXPENDITURES BY FUND		\$159,698,264	\$144,421,966	\$131,066,966	\$131,066,966

* Appropriated Special Revenue Fund includes \$82,900,000 in Excess Lottery Funds to be transferred to General Revenue.

West Virginia Lottery
Programs

Finance and Administration Section**Mission**

The mission of the Finance and Administration Section is to provide the Lottery with fiscal accountability for all monetary transactions in order to provide accurate information concerning game activity, budgeting, and revenue projections.

Goals/Objectives

- Provide accurate financial information to the Lottery Commission and director, Governor, and Legislature.
- Have no significant audit findings as a result of the annual independent financial audit.
- Provide reliable revenue projections.
- Obtain GFOA's Certificate of Achievement for Excellence in Financial Reporting for the CAFR.

Performance Measures

- ✓ Annual audit of financial statements resulted in no significant audit findings.
- ✓ Met and exceeded overall revenue projections for FY 2004.
- ✓ Earned the Certificate of Achievement for Excellence in Financial Reporting from the GFOA for the CAFR for seven consecutive years (FY 1997 through FY 2003).

Marketing Section**Mission**

The mission of the Marketing Section is to provide consumer and retailer incentives through promotions, advertising, and public relations for the increased and diversified purchase of traditional on-line and instant lottery products available throughout West Virginia, thus increasing revenues to the lottery for the benefit of targeted government programs.

Goals/Objectives

- Increase revenues from lottery games for the benefit of state programs.
- Maintain player interest in lottery products by producing new lottery games, redesigning existing games, and conducting promotions such as second chance drawings, game bonus features, and free plays.

Performance Measures

- ✓ Instant game sales generated a record high of more than \$109 million for FY 2004—the highest in the lottery's 18-year history.
- ✓ On-line game sales increased by 12% over the previous year.
- ✓ Total on-line and instant retailers increased from 1,641 to 1,660 in FY 2004.

<u>Fiscal Year</u>	<u>Actual</u> <u>2002</u>	<u>Actual</u> <u>2003</u>	<u>Estimated</u> <u>2004</u>	<u>Actual</u> <u>2004</u>	<u>Estimated</u> <u>2005</u>	<u>Estimated</u> <u>2006</u>
Sales volume (in millions)	\$849	\$1,082	\$1,173	\$1,303	\$1,110	\$1,093
Travel (Keno) retailers	236	277	275	296	321	346

Security and Licensing Section

Mission

The mission of the Security and Licensing Section is to ensure that the integrity of the West Virginia Lottery and its games is uncompromised in order to maintain player confidence in lottery tickets, prizes, and drawings.

The Video Lottery Security Section is to ensure that the integrity of the West Virginia Lottery and its video machine operations remain uncompromised in order to maintain player and public confidence in the games located at racetrack video lottery sites and limited video lottery sites.

The License Division is to receive, review, and process applications from individuals and organizations that wish to be approved for various types of lottery licenses.

Goals/Objectives

- Oversee, monitor, and regulate the compliance of traditional lottery games approved by the Legislature and the State Lottery Commission.
- Oversee, monitor, and regulate the compliance of racetracks and limited video lottery establishments and their machines approved by the Legislature and the State Lottery Commission.
- Maintain retailer compliance checks at a level that will assure compliance with the Lottery Act and regulations.
- Maintain a close working relationship with other state agencies to assure compliance with the licensing requirements for the various types of lottery licenses and permits. Process all applications in an efficient and effective manner. Maintain a good working relationship with our vendors and retail customers.
- Work closely with other state agencies to assure compliance with the installation requirements for the racetrack and limited video lottery machines.
- Maintain and monitor the Lottery headquarters buildings' security system and the security at the Fairmont site.
- Upgrade to electronic fingerprinting system to allow for more timely return on criminal history information.

Performance Measures

<u>Fiscal Year</u>	<u>Actual</u> <u>2002</u>	<u>Actual</u> <u>2003</u>	<u>Estimated</u> <u>2004</u>	<u>Actual</u> <u>2004</u>	<u>Estimated</u> <u>2005</u>	<u>Estimated</u> <u>2006</u>
Traditional lottery						
Licensed traditional retailers	1,631	1,641	1,675	1,660	1,650	1,690
Inspections	1,670	2,645	1,800	3,354	2,000	2,500
Noncompliance findings	20	10	10	15	10	10
Racetrack video lottery						
Racetrack video lottery inspections	98	120	120	145	120	120
Noncompliance findings	1	1	1	0	1	1
Logic seal changes for maintenance and enrollment	7,950	16,451	8,950	8,495	9,500	9,750
Limited video lottery (LVL)						
Licensed LVL retailers	1,027	1,268	1,250	1,535	1,425	1,600
Machines in use by end of fiscal year	3,788	5,329	6,195	6,779	7,435	8,550
Incidents / Investigations	220	1,216	300	699	400	500
Preliminary-site surveys	412	520	712	552	820	550
Establishment compliances	2,000	3,664	5,000	6,809	5,000	7,000
Maintenance / Service	1,274	4,986	3,500	5,993	3,500	6,500
Licensed LVL manufacturers	11	9	9	8	9	8
Licensed LVL operators	34	34	34	35	34	34
Licensed LVL service technicians	304	295	350	247	300	275

Video Lottery Section

Mission

The mission of the Video Lottery Section is to maintain the successful and legal operation of all video terminals statewide 24 hours a day, seven days a week, in order to produce the maximum amount of revenues.

Goals/Objectives

- Provide accurate information to the Finance and Administration Section.
- Monitor video terminal activity to assure compliance with laws, regulations, and policies.
- Maintain hot site in order to prevent the interruption of game play in an emergency situation.

Performance Measures

<u>Fiscal Year</u>	<u>Actual</u> <u>2002</u>	<u>Actual</u> <u>2003</u>	<u>Estimated</u> <u>2004</u>	<u>Actual</u> <u>2004</u>	<u>Estimated</u> <u>2005</u>	<u>Estimated</u> <u>2006</u>
Racetrack video lottery machines	7,021	9,643	11,200	10,802	11,800	12,400
Limited video lottery machines	3,788	5,329	6,195	6,779	7,435	8,550